

Benefit and Incentive Pay Provision in Large, Private-Sector Firms

Anita U. Hattiangadi

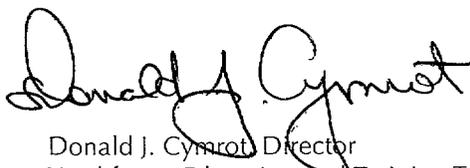
Center for Naval Analyses

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A handwritten signature in black ink, appearing to read "Donald J. Cymrot". The signature is fluid and cursive, with the first name being the most prominent.

Donald J. Cymrot, Director
Workforce, Education and Training Team
Resource Analysis Division

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Anita Hattiangadi

CNA 

As the longest economic expansion in history continues, the competition between the private sector and the military for able personnel intensifies. This competition has prompted renewed interest in the benefit and incentive pay programs that large, private-sector firms offer. As part of the Navy's FY 2000 Manpower & Personnel Integrated Warfare Architecture (IWAR), the Director of the Assessment Division (N81) has asked CNA to examine the provision of various benefit and incentive pay programs in the civilian sector. Of particular interest is the provision of such programs among large, private-sector firms that are considered strong competition in the market for skilled labor.

Outline

- Recruiting and retention difficulties in the military and the private sector
- Research methodology for assessing private-sector benefit and incentive programs
- Private-sector benefit and incentive offerings

First, we will provide some context for the discussion by describing the current recruiting and retention difficulties of both the military and large, private-sector firms. Then, we will briefly explain our choice of research methodology for assessing benefit and incentive programs in the private sector. Finally, we will examine the benefit and incentive programs currently offered to workers in large, private-sector firms.

Outline

- **Recruiting and retention difficulties in the military and the private sector**
 - Research methodology for assessing private-sector benefit and incentive programs
 - Private-sector benefit and incentive offerings

Both the military and the private sector are facing severe recruiting and retention difficulties.

Services Experiencing Recruiting and Retention Difficulties

- Army, Navy, and Air Force have experienced recruiting shortfalls
- First-term retention rates down 17 percent since 1995
- Increased attrition, particularly in first 6 months of first term

Source: Department of Defense data as cited in General Accounting Office, *Military Personnel: Services Need to Assess Efforts to Meet Recruiting Goals and Cut Attrition*, GAO/NSIAD-00-146, June 2000.

In the military, trends in the economy, the educational aspirations of young adults, and the propensity of young adults to pursue a military career have combined in recent years to create a uniquely difficult recruiting environment. With the exception of the Marine Corps, all of the services have experienced enlisted recruiting shortfalls at some point in the past few years, and some have experienced accession shortfalls in officer classifications. The forces have since recovered to meet their FY00 accession goals, but the number of future recruits—as measured by participation in the Delayed Entry Program (DEP)—is significantly below target levels. Recruitment has been particularly difficult in several of the military's more technical occupational fields where competition from the private sector is intense.

Compounding the military's recruitment difficulties are flagging retention rates. Although the concerted military drawdown ended in 1995, first-term reenlistment rates across all services have fallen by 17 percent since.¹ Increased attrition has contributed to lower retention rates across the services. Over a third of recruits leave the military before completion of their first term, and the trend over time is toward a greater share of enlistees leaving during the first 6 months of their first term. Early separations can be very costly, resulting in average replacement costs of more than \$35,000 per recruit.²

¹ Secretary of Defense, *Annual Report to the President and the Congress*, 1994-2000.

² Honorable Rudy de Leon, *Sustaining the All-Volunteer Force: Military Recruiting and Retention*, testimony before the Military Personnel Subcommittee, U.S. House of Representatives Committee on Armed Services, March 8, 2000.

The Military's Personnel Challenge

“Today’s recruiting and retention atmosphere can be best described as a war...a sustained engagement to recruit and retain the very best men and women this nation has to offer.”

-Navy Vice Admiral N. R. Ryan, Jr.

Source: Testimony before the Subcommittee on Personnel of the Senate Armed Services Committee on Recruiting/Retention, February 24, 2000.

It was these trends that prompted Navy Vice Admiral N. R. Ryan, Jr., to draw parallels between the military’s personnel challenge and combat in Senate testimony last year. This “war” for skilled personnel continues to rage today.

Private Sector Faces Similar Challenges

- 65 percent of HR executives list recruitment, selection, and placement among their top three priorities
- 72 percent of HR professionals were concerned about recruitment and retention
 - 70 percent are concerned about recruiting and retaining IT workers

Sources: Footnotes 1 and 2.

The military is not alone in its struggle to attract and retain skilled personnel. A survey earlier this year found that 65 percent of private-sector human resource (HR) executives listed recruitment, selection, and placement among their departments' top three priorities in 2000, up from 55 percent in 1998.¹ Another survey showed that 72 percent of HR professionals were concerned about recruitment and retention. Over 70 percent cited difficulties attracting and retaining information technology (IT) workers.²

¹ The Society for Human Resource Management and the Bureau of National Affairs, Inc., *Human Resource Priorities and Outlook*, 2000.

² WorldatWork, *2000-2001 Total Salary Increase Budget Survey*, 2000.

Private Sector Actively Recruits Military Members

For junior officers:

Military Recruiting Institute (<http://www.mri1.com>)

Cameron Brooks, Inc. (<http://www.cameronbrooks.com>)

For junior officers, enlisted, and academy grads

Midwest Military (<http://midwestmilitary.com>)

Leaders, Inc. (<http://www.leadersinc.com>)

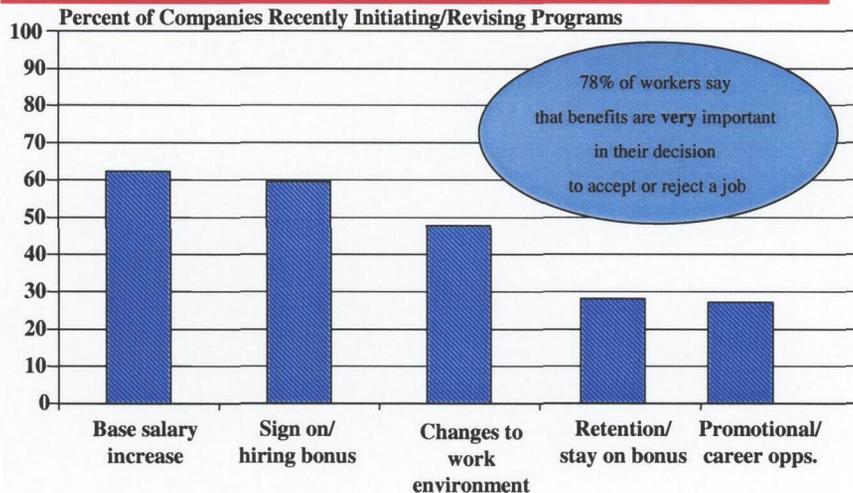
Military Transition Group, Inc.

(<http://www.militarytransitiongroup.com>)

Bradley-Morris, Inc. (<http://www.bradley-morris.com>)

In today's tightening labor markets, the private sector and the military are competing more than ever for skilled personnel. As this slide shows, many firms with an internet presence are actively recruiting former military members. Several specifically target junior military officers—a group that the services are trying hard to retain. Many of these sites have on-line resume posting, the ability to search national job databases, or readily available "success" story postings.

Private Sector Is Responding to Tightening Labor Markets



Note: Respondents could choose multiple responses.
Source: Footnotes 1 and 2.

In an effort to compete in tightening labor markets, many private-sector companies are initiating or bolstering pay and benefits programs. The most popular way to boost compensation is to increase base salaries—a strategy recently reported by over 60 percent of surveyed companies.¹ Because this issue is analyzed in other sections of this research, we do not examine it here.

Many companies are also changing their incentive pay or benefit programs in response to tightening labor markets. Particularly popular methods include incentive pay program changes, such as the introduction or increase of hiring or retention bonuses, or changes to benefit programs, such as improvements in the work environment or promotion/career opportunities. Change has been precipitated by the fact that nearly 80 percent of surveyed workers say that benefits are very important in their decision to accept or reject a job.² In fact, some observers have suggested that the military's recruitment and retention woes stem from its inability to compete with the benefit and incentive offerings of private-sector companies, particularly in technical fields.

¹ WorldatWork, *2000-2001 Total Salary Increase Budget Survey*, 2000.

² WorldatWork and the Employee Benefit Research Institute, *2000 Value of Benefits Survey*, 2000.

Outline

- Recruiting and retention difficulties in the military and the private sector
- **Research methodology for assessing private-sector benefit and incentive programs**
- Private-sector benefit and incentive offerings

Before turning to an examination of private-sector benefit and incentive offerings, we will briefly explain our choice of research methodology.

Potential Research Approaches

- Examine private-sector “best practices”
- Examine government data on workers’ access to benefits
- Examine survey data on the benefit offerings of large, private-sector firms

Several research approaches are available to make sense of the variety of benefits and incentives that private-sector companies offer. One could examine (1) private-sector “best practices,” (2) government data on the availability of various benefits to civilian workers, or (3) survey data on the benefit offerings of large private-sector companies. We chose the third research approach for several reasons.

Disadvantages of Alternate Approaches

- “Best practices”
 - Can be ill-defined, costly, or ineffective
 - Are often perceived as “magic bullet” solutions to complex problems

- Most government data only examine workers’ access to benefits, not company behavior

First, “best practices” can be somewhat ill-defined. For example, one source defines best practices as “documented strategies and tactics employed by highly admired companies.” But such a definition gives rise to a host of questions. What constitutes a “documented strategy or tactic”? What makes a company “highly admired”? By whom? In practice, these complicating factors mean that best practices can often refer to any good thing that a company does, without any assessment of its cost or effectiveness. A program that is perceived to be good can have unintended effects; for example, very generous paid sick leave policies may increase absenteeism.

Another shortcoming of best practices is that they are often perceived as offering “magic bullet” solutions to complex problems. In many cases, the feasibility and/or success of a particular benefit program can depend on conditions unique to the individual firm.

That is not to say that best practices cannot be useful in an analysis of private-sector incentive pay and benefit offerings. It would be best, however, to analyze the practices *after* identifying areas of interest and concerns about their current operation or structure. Furthermore, best practice information is most useful when coupled with information regarding program effectiveness.

Finally, government data on employees’ access to various benefits do not adequately serve our purpose because they do not provide information on large-company behavior and provide only limited qualitative information about benefit offerings.

Usefulness of Private-Sector Survey Data on Benefit Offerings

- Allow the military to “size up the competition”
- Can make inferences about program effectiveness
- Highlight areas where military and civilian provisions differ
 - ✓ Differences do not necessarily mean changes are needed
 - ✓ Provide basis for further analysis
 - ✓ Provide material suitable for recruiting purposes

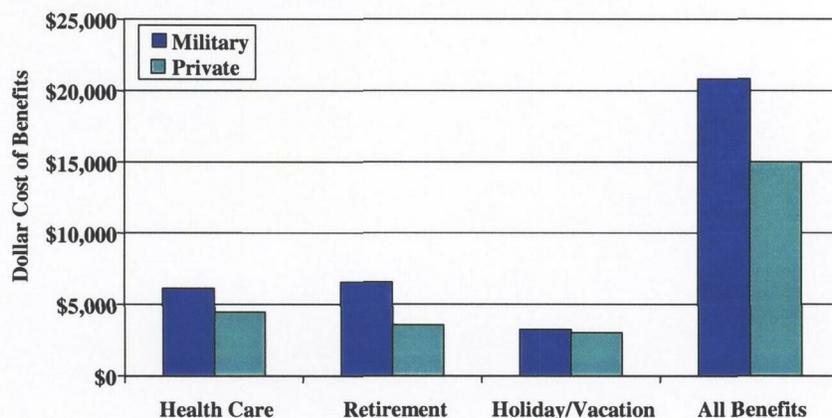
Examining survey data on the benefit offerings of large, private-sector firms has several advantages. Despite its many unique qualities, the military can be viewed on some levels as another large employer—subject to the same labor market constraints facing large, private-sector firms. For example, the Navy’s enlisted ranks roughly approximate the size of IBM’s global workforce. Viewed in this context, it is important for the military to be familiar with the benefit and incentive pay offerings of large, private-sector firms.

Survey data of this type also allow us to make inferences about the effectiveness of various programs. Driven by the profit motive, private-sector firms are quick to emulate successful programs and quicker to abandon ineffective ones. Thus, more widely adopted programs are likely to be cost- and incentive-effective.

Finally, the data will allow us to compare civilian and military benefits and to highlight areas where they differ. Differences will not necessarily mean that changes in the provision or level of provision are necessary. Some compensation strategies and programs adopted by the private sector may not be transferable to the military, and vice versa. But if differences exist, one should recognize why they exist and whether they should persist. Research findings can provide the basis for further analysis and, by highlighting differences between military and civilian benefits, could also potentially be used to design more effective recruiting materials.

Military Spends More, But Mix May Matter

Cost of selected benefits for E-4 and equivalent private-sector workers



Source: Footnote 1.

It would be naive to interpret what follows as suggesting that the solution to the military's recruiting and retention troubles lies in the introduction of a host of new benefit programs or rapid expansion of existing programs. In fact, recent CNA research finds that the military spends more than the private sector on benefits today—particularly in the areas of retirement and health care.¹ Rather, the analysis may spur a reexamination of military benefits and how changes in the provision or the mix of benefit and incentive programs could make military service more attractive.

¹ Robert Levy, Richard Miller, and Pamela Brannman, *The DoD Health Care Benefit: How Does it Compare to FEHBP and Other Plans?* CNA Research Memorandum D0001316.A1, May 2000.

Survey Data Sources

Large-company surveys conducted by:

- Bureau of Labor Statistics (BLS)
- Buck Consultants
- Center for Effective Organizations (CEO)
- HayGroup
- Hewitt Associates
- Federal Reserve Board (Fed)
- Kaiser Family Foundation
- Society for Human Resource Management (SHRM)
- Watson Wyatt

For this analysis, we used data from a variety of different surveys. These surveys were chosen because they were conducted recently by nationally recognized consulting and research firms and can be interpreted as broadly representative of the benefit offerings of large, private-sector firms. In some cases, data from these surveys have been supplemented with information from other available private-sector employer surveys.

However, this survey information is not without its own shortcomings. Most reported surveys are not based on representative samples, meaning they may be subject to some statistical bias. In a few cases, data from different surveys conflict, which may result from differences in sample selection, question forms, or definitions. Surveys also differ in their definition of “large,” which can range from a firm with 100 employees to one with more than 2,500. For these reasons, we present results from several different surveys.

Outline

- Recruiting and retention difficulties in the military and the private sector
- Research methodology for assessing private-sector benefit and incentive programs
- **Private-sector benefit and incentive offerings**

We now turn to an examination of private-sector benefit and incentive offerings.

A Menu of Private-Sector Benefits/Incentives

- Incentive-based variable pay
- Paid leave
- Health benefits
- Retirement benefits
- Educational benefits
- Housing benefits
- Work/life benefits
- Other benefits

The private sector currently offers an array of benefit and incentive programs, including incentive-based variable pay, paid leave, standard benefit programs (e.g., health and retirement, educational benefits, housing benefits, work/life benefits), and other assorted benefit and convenience programs.

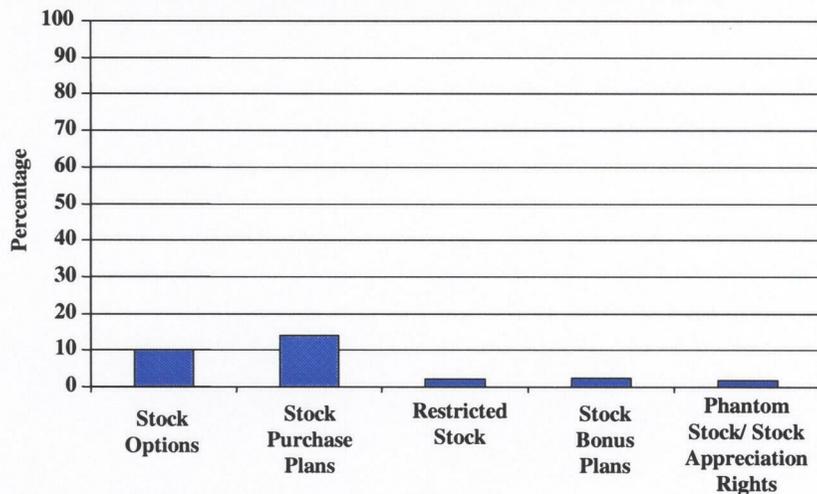
Incentive-Based Variable Pay

A variety of group or individual incentives that compensate high-performing employees:

- Equity participation plans
- Bonus and award programs
- Gainsharing programs
- Team-based incentives

The first benefit/incentive program we examine is incentive-based variable pay. This includes a variety of group or individual incentives that compensate high-performing employees. It can include, but is not limited to, equity participation plans, such as stock option programs, bonus and award programs (including signing, retention, and performance bonuses and recognition awards), gainsharing programs, and team-based incentives.

Equity Participation Programs Are Relatively Rare



Note: Data for private-sector establishments with 100 or more employees.
Source: Footnote 1.

New data from the Bureau of Labor Statistics examine the prevalence of various equity participation programs in establishments with 100 or more employees. The survey finds that about 10 percent of such establishments granted stock options in 1999, about 14 percent offered stock purchase plans, and a relatively small share offered such things as restricted stock, stock bonus plans, or phantom stock. Among publicly held companies of this size, 30.5 percent granted stock options in 1999.¹

These data have generated some controversy because a 1999 Federal Reserve Board study had estimated that almost 60 percent of companies with 1,000 or more employees offered stock options to at least some of their employees.² Those data, however, resulted from private interviews with bank contacts and may have been subject to some selection bias. Another possible reason for the discrepancy could be that the BLS data only account for establishments that made grants in calendar year 1999. Establishments that had stock option plans in place but did not make grants in that year were excluded.

We have evidence, however, that equity participation programs are more prevalent among larger companies. For example, in the case of stock purchase plans, a recent HayGroup survey finds that over one-quarter of medium to large companies offer such programs to their employees.³ In addition, more than half of Fortune 200 companies offered such plans to their employees in 1998.⁴

¹ Bureau of Labor Statistics, "Pilot Survey on the Incidence of Stock Options in Private Industry in 1999," *News Release*, October 11, 2000.

² David Lebow et al., *Recent Trends in Compensation Practices*, Board of Governors of the Federal Reserve System, Finance and Economics Discussion Series, No. 1999-32, July 1999.

³ HayGroup, *2000 Hay Benefits Report*, 2000.

⁴ Hewitt Associates LLC, *1998 Hewitt Survey Findings: Broad-based Stock Ownership Opportunities in Large U.S. Companies*, October 1998.

Availability of Equity Participation Programs

- Equity participation programs are relatively rare
- Program availability varies by professional status
- Programs are slowly making their way down the corporate ladder
 - 28 to 50 percent of large companies offer stock options to over half their workforce

Data from a WorldatWork survey show that officers and executives are the most likely to participate in equity participation programs, with exempt (workers exempt from the Fair Labor Standard Act's overtime requirements) salaried workers, non-exempt salaried workers, and non-exempt, hourly, non-union workers less likely to be included in stock-based programs.¹

Although traditionally reserved for executives, stock options are slowly making their way down the corporate ladder. A William M. Mercer analysis of large-company proxy statements found that nearly 50 percent had broad-based stock option plans in 2000, and 18 percent of those companies made grants. (Broad-based stock option plans are typically defined as those that are offered to at least half of a firm's workforce.) This was considerably higher than in 1993, when only 18 percent of large companies had broad-based stock option plans, and 6 percent made grants.² Surveys of the Fortune 1000 by the Center for Effective Organizations and Buck Consultants report that between 31 and 37 percent of Fortune 1000 companies offer such broad-based options.³ Finally, a 1998 survey by Hewitt Associates LLC found that almost 30 percent of all surveyed companies offered "broad-based" options.⁴

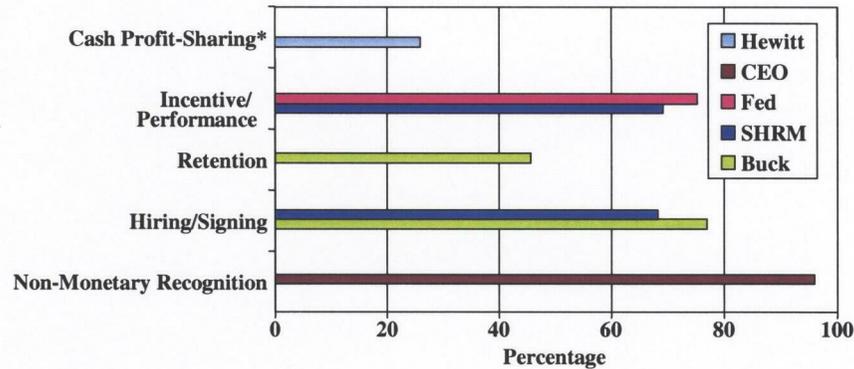
¹ WorldatWork, *2000-2001 Total Salary Increase Budget Survey*, 2000.

² William M. Mercer, *2000/2001 Compensation Planning Survey*, 2000.

³ Buck Consultants, *2000/2001 Compensation Budget and Planning Survey*, 2000 and unpublished data from David Finegold and Edward Lawler III, the University of Southern California's Center for Effective Organizations survey of Fortune 1000 companies, 1999.

⁴ Hewitt Associates LLC, *1998 Hewitt Survey Findings: Broad-based Stock Ownership Opportunities in Large U.S. Companies*, October 1998.

Bonus and Award Programs in Large Firms



*1999 data.
Source: Footnotes 1 through 4.

Large, private-sector companies also offer an array of bonus and award programs, including cash profit-sharing, incentive or performance bonuses, bonuses for recruitment and retention, and non-monetary recognition awards. Hewitt Associates reports that 28 percent of companies used cash profit-sharing for all employees in 1999.¹ The Federal Reserve Board (Fed) estimates that 75 percent of large companies use incentive or performance bonuses today; SHRM puts that share at around 70 percent.² A Buck Consultants survey of the Fortune 1000 finds that about 45 percent currently use retention bonuses. Data from SHRM and Buck Consultants show that between 68 and 77 percent of large companies currently use hiring/signing bonuses.³ Finally, the Center for Effective Organizations reports that 96 percent of Fortune 1000 companies offer non-monetary recognition awards for performance to at least some of their employees.⁴

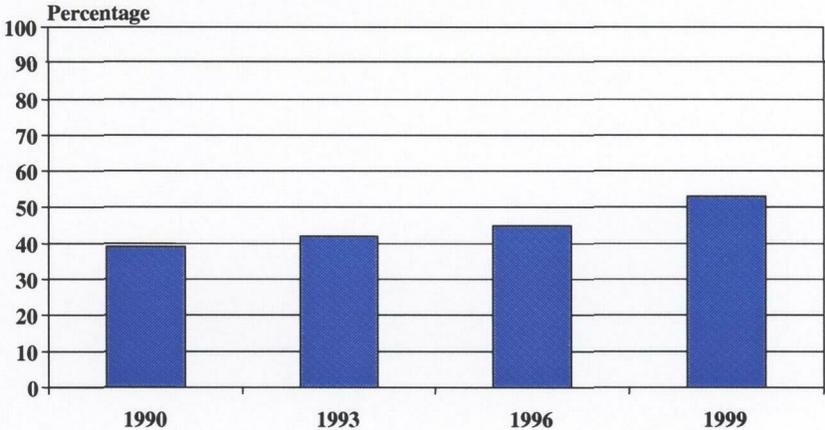
¹ Hewitt Associates LLC, *Salary Increases 1999-2000*, 2000.

² David Lebow et al., *Recent Trends in Compensation Practices*, Board of Governors of the Federal Reserve System, Finance and Economics Discussion Series, No. 1999-32, July 1999 and Society for Human Resource Management, *2000 Benefits Survey*, 2000.

³ Society for Human Resource Management, *2000 Benefits Survey*, 2000 and Buck Consultants, *2000/2001 Compensation Budget and Planning Survey*, 2000.

⁴ Unpublished data from David Finegold and Edward Lawler III, the University of Southern California's Center for Effective Organizations survey of Fortune 1000 companies, 1999.

Gainsharing Programs on the Rise

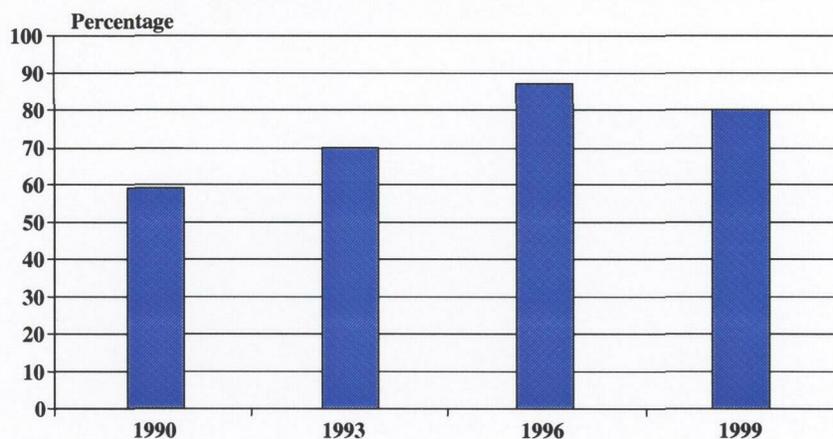


Source: Footnote 1.

Gainsharing programs reward employees at the work-unit level for measured improvements in productivity. Typically used in conjunction with workplace teams, these programs share measured gains with employees through frequent bonus payments based on a pre-determined formula. The CEO reports that 53 percent of Fortune 1000 companies had gainsharing programs in 1999, up from under 40 percent in 1990.¹

¹ Unpublished data from David Finegold and Edward Lawler III, the University of Southern California's Center for Effective Organizations survey of Fortune 1000 companies, 1999.

Team-Based Incentives Also Prevalent

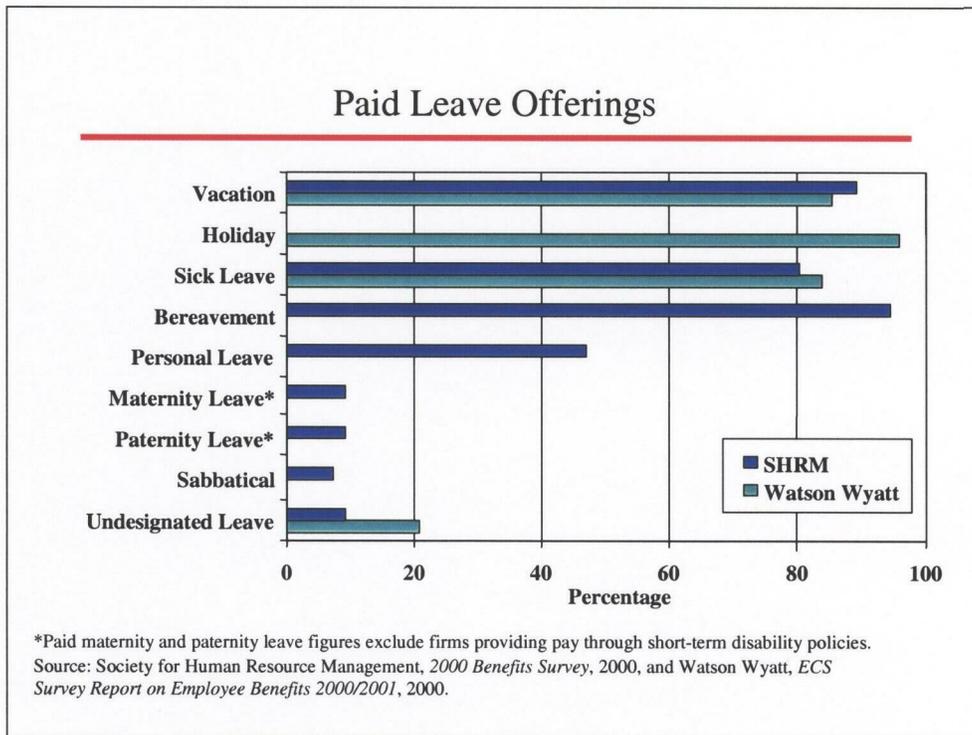


Source: Footnote 2.

Team-based incentives, which offer additional compensation to employees based on the performance of their workplace team, have also become more pervasive in private-sector companies over time. A recent William M. Mercer survey finds that 27 percent of all companies use team/small group incentives, up from 12 percent in 1993.¹ Work-group or team incentives are much more prevalent among larger companies. Data from the Center for Effective Organizations (CEO) show that 81 percent of Fortune 1000 companies offered work-group or team incentives in 1999, up from 59 percent in 1990.²

¹ William M. Mercer, *2000/2001 Compensation Planning Survey*, 2000.

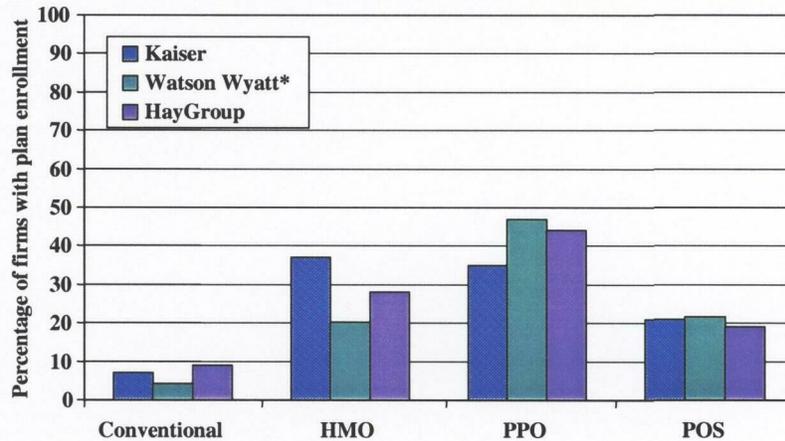
² Unpublished data from David Finegold and Edward Lawler III, the University of Southern California's Center for Effective Organizations survey of Fortune 1000 companies, 1999.



Most large companies (defined here as those with 2,500 or more employees) offer traditional forms of paid leave, such as vacation, holiday, sick, and bereavement leave. Personal leave—leave to cover situations not included in traditional leave policies—is less prevalent, offered by about half of large firms. Other forms of paid leave, including paid maternity and paternity leave and sabbaticals, are relatively rare. Note that maternity and paternity paid leave figures exclude pay that the firm may provide through a short-term disability policy. If this pay is included, a survey by the Families and Work Institute finds that 53 percent of all firms provide some pay for women on maternity leave and 13 percent provide some pay for men on paternity leave.¹ Finally, in a relatively new phenomenon, between 9 and 21 percent of companies offer employees undesignated leave that can be used for any purpose.

¹ Families and Work Institute, *1998 Business Work-Life Study*, 1998.

Conventional Health Insurance No Longer the Norm



Source: Footnotes 1, 2, and 3.

*Employee Provider Organizations, offered to 7 percent of employees, are an omitted category.

Health insurance is a very important benefit in the private sector, with virtually all large firms offering this benefit. Much has been written about this particular benefit, so we won't go into much detail. What is interesting about provision over time, however, is the shift away from conventional fee-for-service plans toward cost management structures, such as HMOs, PPOs, and POSs. According to HayGroup data, as recently as 1990 most medium and large companies offered fee-for-service plans.¹ As this figure shows, today between 4 and 9 percent of large firms offer conventional health care plans, whereas 28 to 37 percent offer HMOs, 35 to 44 percent offer PPOs, and 19 to 22 percent offer POS plans.

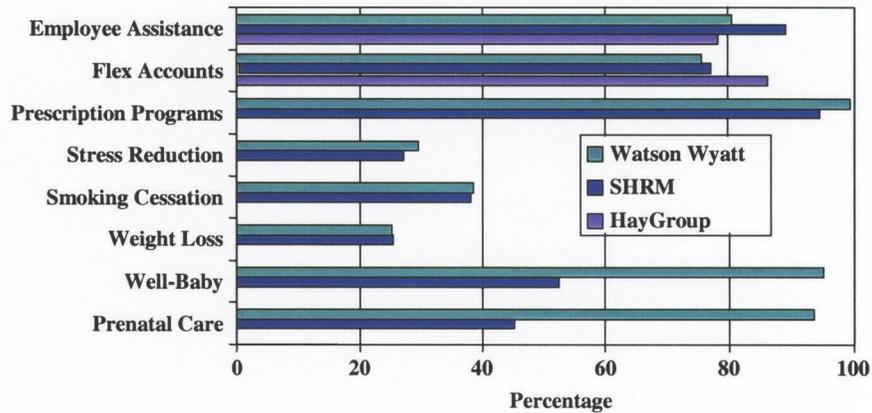
In the private sector, employees typically share the costs of health care through direct contributions, copayments, and deductibles. Watson Wyatt reports that 92 percent of for-profit employers with 2,500 or more employees require an employee contribution.² Kaiser survey data show that average monthly employee premiums for single coverage in firms with 5,000 or more employees were between \$26 and \$39, depending on the plan.³ On average, large employers paid about 86 percent of required health care premiums for single coverage. In addition, most offerings required a co-payment, and about 54 percent of large for-profit firms also had in-network deductibles. Copayments for in-network office visits averaged around \$12 in for-profit firms with 2,500 or more employees, and the average deductible was \$163 in firms of this size.

¹ HayGroup, *2000 Hay Benefits Report*, 2000.

² The Kaiser Family Foundation and the Health Research and Educational Trust, *Employee Health Benefits: 2000 Annual Survey*, 2000.

³ Watson Wyatt, *ECS Survey Report on Employee Benefits 2000/2001*, 2000.

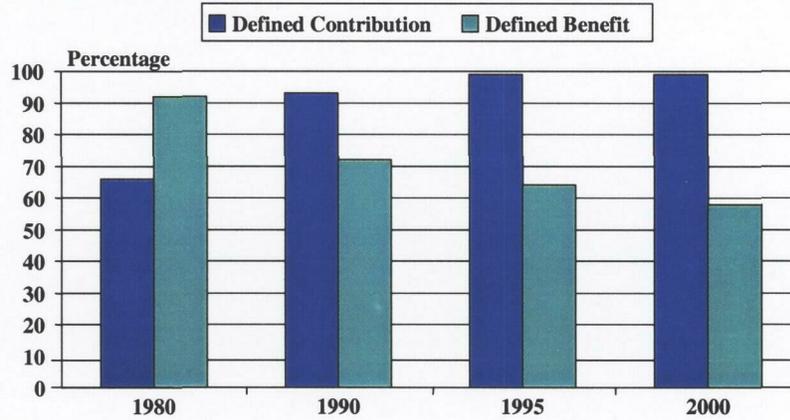
Other Health/Wellness Programs



Sources: HayGroup, *2000 Hay Benefits Report*, 2000, Society for Human Resource Management, *2000 Benefits Survey*, 2000, and Watson Wyatt, *ECS Survey Report on Employee Benefits 2000/2001*, 2000.

Large employers also offer an array of health and wellness programs. An outgrowth of alcohol abuse programs begun in the 1940s, private-sector Employee Assistance Programs (EAPs) are designed to help workers cope with a variety of human relations problems, including substance abuse, mental or emotional health problems, work-family conflicts, financial or legal problems, or other personal concerns that affect job performance. Offered by most large firms today, these programs provide confidential assessment, referral, counseling, and training services to employees and their families at no or low cost. Flexible spending accounts and prescription drug programs, which allow employees to offset out-of-pocket health care expenditures, are also offered by a majority of large firms. Other health and wellness programs, such as stress reduction, smoking cessation, and weight loss programs, are significantly less prevalent—offered by between 20 and 40 percent of large employers. Finally, data on the prevalence of well-baby and prenatal care programs vary considerably, which may have to do with variation in survey respondents' interpretation of "provision"—that is, whether programs are provided directly or are provided through the firm's offered health insurance.

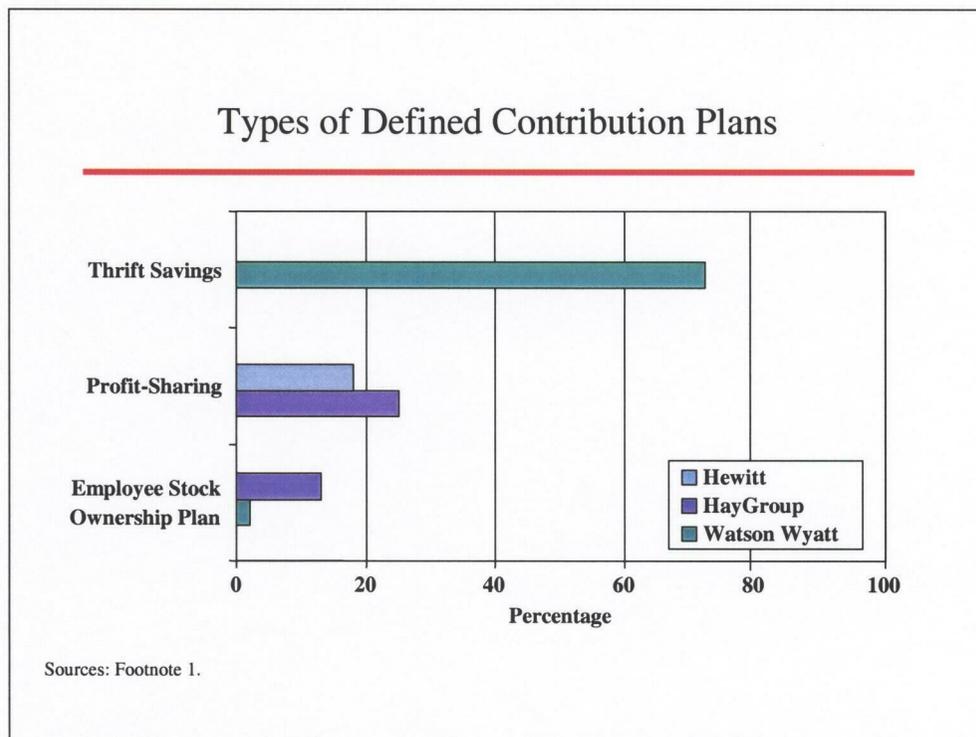
Most Firms Offer Defined Contribution Retirement Benefits



Note: Categories are not mutually exclusive.

Source: HayGroup, *2000 Hay Benefits Report*, 2000.

Retirement is also a predominant benefit in the private sector, about which volumes have been written. As was the case in health insurance, the interesting trend here is change in its structure over time. Since 1980, the share of medium and large companies with defined benefit plans has been steadily falling as the share with defined contribution plans has been rising rapidly.



Large employers offer several different types of defined contribution plans today. Thrift, or savings, plans are essentially employee savings accounts, which are often matched by employer contributions. These are the most prevalent type of defined contribution plan offered in the private sector today. Combining data from Watson Wyatt, Hewitt Associates, and HayGroup, we estimate that between 72 and 79 percent of large companies currently have such plans.¹ This estimate is supported by data from the Profit-Sharing/401(k) Council of America, showing that 78.3 percent of firms with 500 or more employees offered 401(k) plans in 1998.²

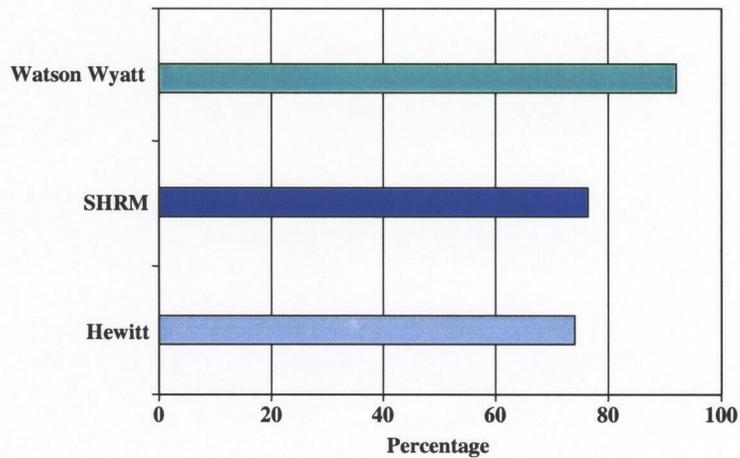
Profit-sharing plans distribute a portion of company profits to employees. Contributions can be purely discretionary or based on a predetermined formula. Hewitt Associates estimates that 18 percent of large companies have such programs. HayGroup estimates that 25 percent of medium and large companies have profit-sharing programs today, up from 21 percent in 1996.

In an employee stock ownership plan (ESOP), employers contribute shares of company stock to employee accounts. Watson Wyatt estimates that 2.1 percent of large employers currently offer ESOPs. HayGroup finds that 13 percent of medium and large firms have ESOPs today, up from 11 percent in 1996.

¹ HayGroup, *2000 Hay Benefits Report*, 2000, Hewitt Associates LLC, *The Hewitt Work/Life Survey*, 2000, and Watson Wyatt, *ECS Survey Report on Employee Benefits 2000/2001*, 2000.

² Profit Sharing/401(k) Council of America, *401(k) and Profit Sharing Plan Eligibility Survey*, December 1999.

Tuition Reimbursement Programs Are Prevalent



Sources: Footnotes 1, 2, and 3.

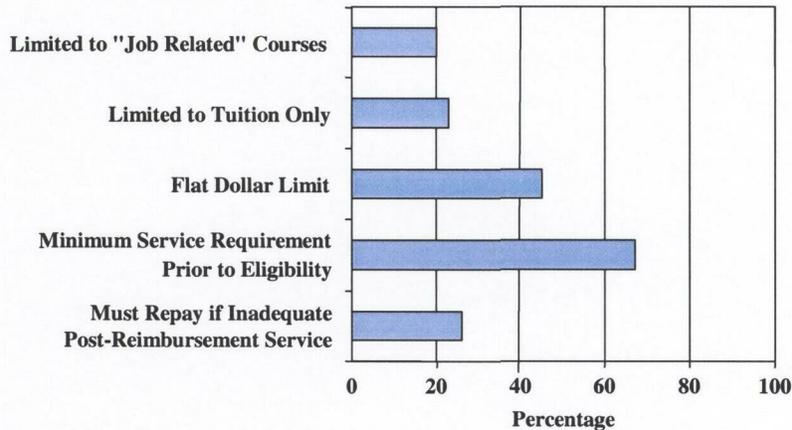
Most large employers offer tuition reimbursement to their employees. According to Watson Wyatt, 92 percent of for-profit companies with 2,500 or more employees offer tuition reimbursement or remission to their employees today.¹ SHRM reports that 76 percent of firms with 2,500 or more employees offer educational assistance.² Finally, Hewitt Associates finds that 74 percent of large employers offer educational reimbursement.³

¹ Watson Wyatt, *ECS Survey Report on Employee Benefits 2000/2001*, 2000.

² Society for Human Resource Management, *2000 Benefits Survey*, 2000.

³ Hewitt Associates LLC, *The Hewitt Work/Life Survey*, 2000.

Restrictions on Tuition Reimbursement in Medium and Large Firms with Plans

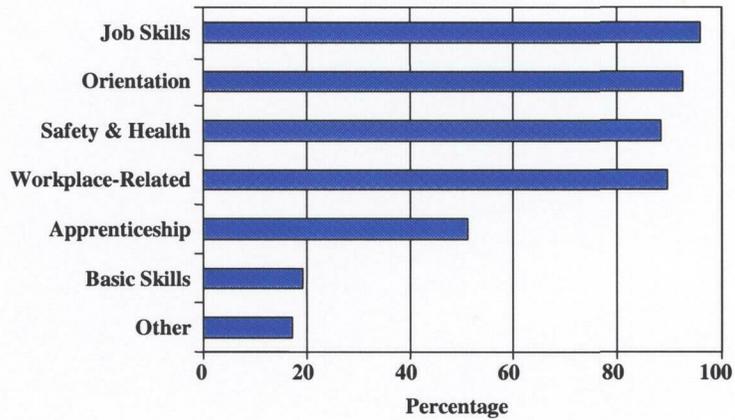


Source: Footnote 1.

Most large corporations impose restrictions on their reimbursement programs. A 1998 study by Hewitt Associates found that, of medium and large firms offering tuition reimbursement, 20 percent limited reimbursements to job-related courses (as defined by the IRS), and 23 percent limited reimbursements to tuition expenses. Forty-five percent of companies placed a dollar limit on reimbursements, and the median limit was \$3,000 annually. Finally, most employers have a minimum service requirement for program eligibility, and a little over one-quarter of firms require that reimbursements be repaid if post-reimbursement service periods are too short.¹

¹ Hewitt Associates LLC, *Design and Administration of Educational Reimbursement Plans*, June 1999.

Formal Employer-Provided Training

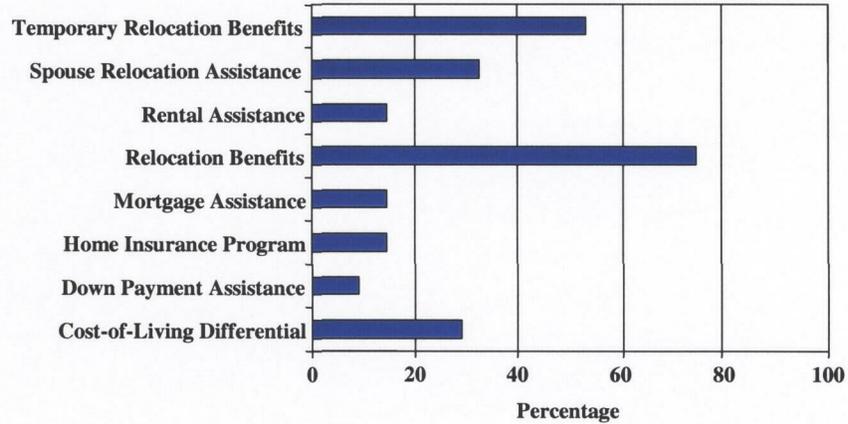


Source: Footnote 1.

Government data show that almost all employers (99.3 percent) with 250 or more employees provided some form of formal training in 1993 (the last year for which data of this type are available). Job skills training—in management and computer skills, for example—was most prevalent, followed by orientation training, safety and health training, and workplace-related training. A little over half of all workers in establishments with 250 or more employees received apprenticeship training, and less than 20 percent received basic skills training in 1993.¹

¹ Bureau of Labor Statistics, "BLS Reports on Employer-Provided Formal Training," *News Release*, September 23, 1994.

Housing Benefits



Source: Footnote 1.

Some large firms offer housing benefits, virtually all of which are in the form of financial offsets or loans, not the direct provision of housing.

Data from SHRM show that the most prevalent forms of housing benefits among firms with 2,500 or more employees are temporary and permanent relocation benefits. About 32 percent of large firms offered spouse relocation assistance, while 30 percent offered cost-of-living differentials. Finally, a relatively small share of large companies offered housing benefits, such as rental assistance, mortgage assistance, down payment assistance, or home insurance.¹

¹ Society for Human Resource Management, *2000 Benefits Survey*, 2000.

Work/Life Programs

Programs that allow workers to better balance their work and family responsibilities

- Child care
- Elder care
- Flexible work arrangements
- Adoption benefits

Work/life programs are a rapidly expanding class of employee benefits. These programs, which allow workers to better balance their work and family responsibilities, can include such things as child care, elder care, flexible work arrangements, and adoption benefits.

Child Care Assistance

- 84 percent of medium and large companies offer some type of child care assistance, up from 55 percent in 1990.
- 90 percent of large companies offer some type of child care assistance, up from 84 percent in 1994.

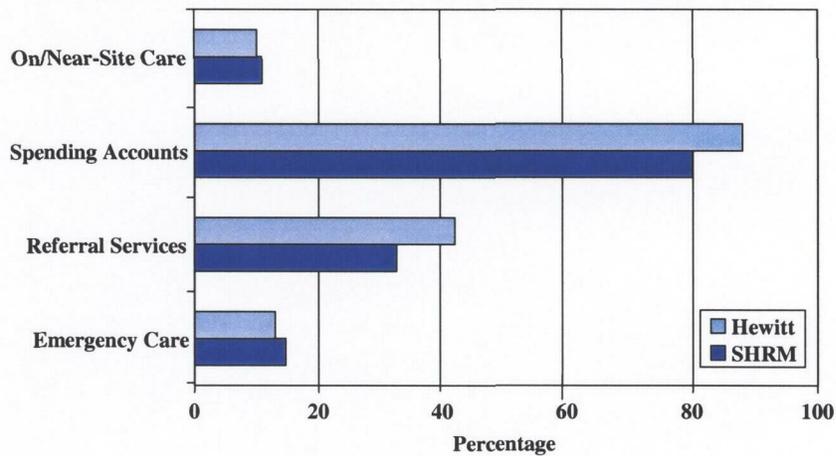
Sources: Footnotes 1 and 2.

Most large companies offer some form of child care assistance to their employees, and the share offering such assistance is on the rise. HayGroup reports that 84 percent of medium and large companies today offer some child care assistance, up from 55 percent in 1990.¹ Data from Hewitt Associates show that 90 percent of large companies offer some type of child care assistance today, up from 84 percent in 1994.²

¹ HayGroup, *2000 Hay Benefits Report*, 2000.

² Hewitt Associates LLC, *The Hewitt Work/Life Survey*, 2000.

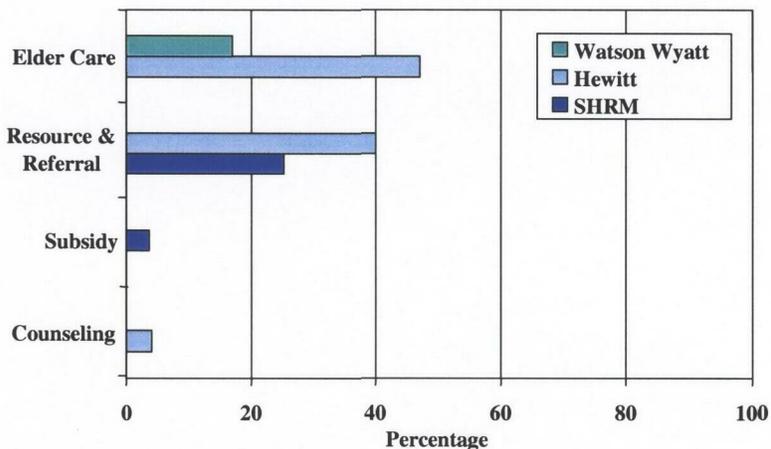
Types of Child Care Assistance Offered



Sources: Society for Human Resource Management, *2000 Benefits Survey*, 2000, and Hewitt Associates LLC, *The Hewitt Work/Life Survey*, 2000.

Contrary to popular belief, onsite or near-site child care is not that common. Only about 10 percent of large, private-sector firms offer onsite or near-site child care today. Rather, most firms offer spending accounts to offset child-care costs, and between 33 and 42 percent of firms offer child care referral services to employees. Finally, relatively few large firms—only about 14 percent—offer emergency child care.

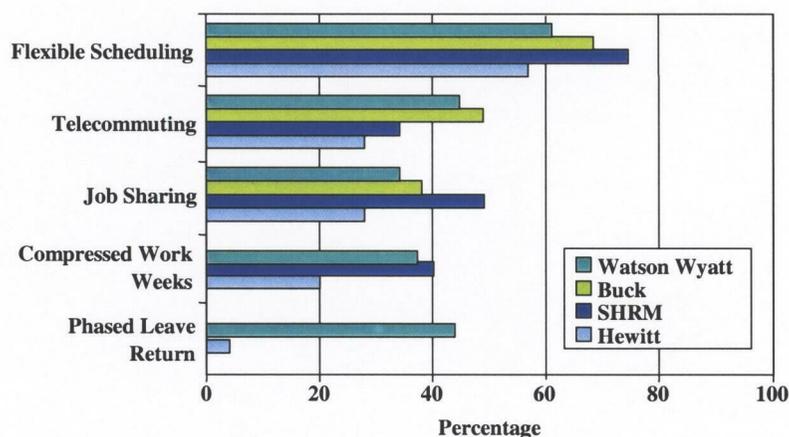
Elder Care



Sources: Society for Human Resource Management, *2000 Benefits Survey*, 2000, Hewitt Associates LLC, *The Hewitt Work/Life Survey*, 2000, and Watson Wyatt, *ECS Survey Report on Employee Benefits 2000/2001*, 2000.

Elder care is a relatively new employee benefit, currently offered by an estimated 17 to 47 percent of large firms. Elder care resource and referral services are most prevalent, offered by 25 to 40 percent of large firms, whereas the provision of elder care subsidies or counseling is relatively rare.

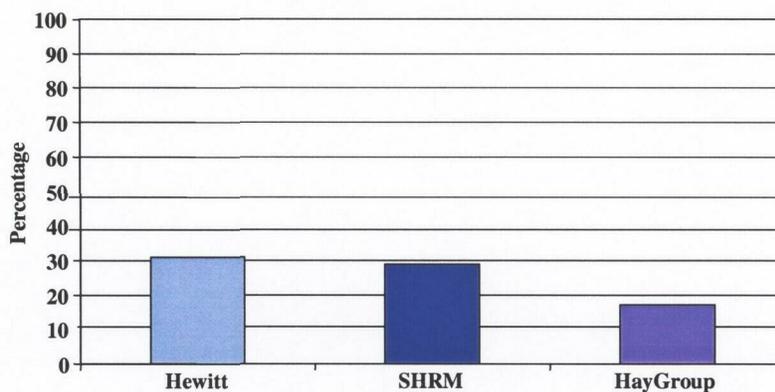
Flexible Work Arrangements



Sources: Buck Consultants, *2000/2001 Compensation Budget and Planning Survey*, 2000, Hewitt Associates LLC, *The Hewitt Work/Life Survey*, 2000, Society for Human Resource Management, *2000 Benefits Survey*, 2000, and Watson Wyatt, *ECS Survey Report on Employee Benefits 2000/2001*, 2000.

Flexible work arrangements have become increasingly prevalent among large, private-sector companies in recent years. Flexible scheduling, which allows workers to vary the distribution of work hours, is now offered by 57 to 75 percent of large companies. Telecommuting, which has been greatly facilitated by technological advances, is now offered by 28 to 49 percent of large firms. Other flexible work arrangements, such as job sharing, compressed work weeks, and phased return from leave, are less common.

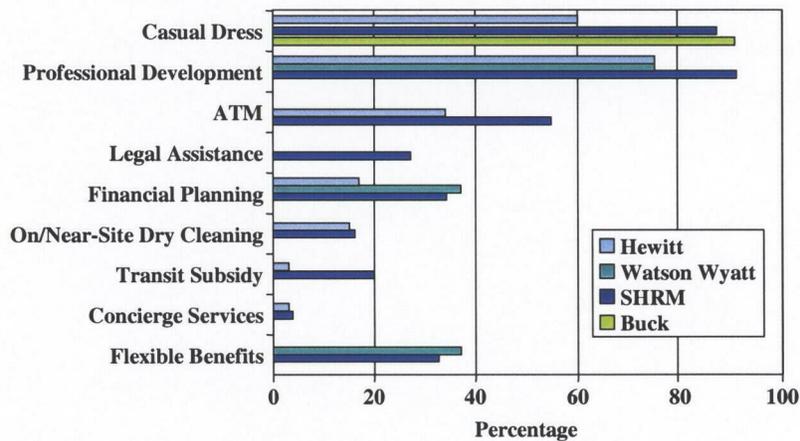
Adoption Benefits



Sources: HayGroup, *2000 Hay Benefits Report*, 2000, Hewitt Associates LLC, *The Hewitt Work/Life Survey*, 2000, and Society for Human Resource Management, *2000 Benefits Survey*, 2000.

Adoption benefits, which usually include financial offsets for incurred expenses, are offered by a relatively small share—between 17 and 31 percent—of large firms today. The average maximum reimbursement for adoption costs is \$3,100.

Other Benefits



Sources: Buck Consultants, *2000/2001 Compensation Budget and Planning Survey*, 2000, Hewitt Associates LLC, *The Hewitt Work/Life Survey*, 2000, Society for Human Resource Management, *2000 Benefits Survey*, 2000, and Watson Wyatt, *ECS Survey Report on Employee Benefits 2000/2001*, 2000.

Finally, large firms offer a host of miscellaneous other benefits. Casual dress policies are most prevalent, offered by 60 to 91 percent of large firms today. Most large firms also offer their workers professional development opportunities. An estimated 27 percent of large firms offer legal assistance, and between 17 and 37 percent offer financial planning services. Other services and conveniences are less prevalent. Although as much as 55 percent of large firms currently offer ATM services, under 20 percent offer such things as onsite or near-site dry cleaning, transit subsidies, or concierge services. Lastly, between 33 and 37 percent of large firms now offer “flexible benefits,” allowing workers to pick and choose from an array of health, retirement, and leave benefits to design a benefit package that best suits their individual needs.



Things To Think About

- Is information about military benefits readily available?
- Are benefit offerings appropriate for military personnel's needs? That is, is the mix of benefits optimal?
- Are changes needed in the delivery of services?

The data presented thus far provide us with several things to think about. These ideas may help to guide future research in this area. For example, we have found it surprisingly difficult to obtain a comprehensive description of all of the benefit programs available to active-duty military members. Several different agencies and offices are responsible for various types of benefit information, and information is scattered across an array of websites and publications. It might be useful to develop materials that give an overview of all the benefits associated with military service. These materials could be useful in recruiting, particularly for individuals deciding between a military and a private-sector career. Materials that compare and contrast private sector and military benefit offerings might also serve as useful recruiting tools.

The data also suggest that it may be useful to examine the mix of benefit offerings to military members and consider whether the current mix is appropriate for meeting military personnel's needs.

Finally, once a comparison of military and civilian incentive pay and benefit offerings is complete, it may suggest changes in the operation of current programs. For example, the analysis may indicate the need to make changes in the delivery of services.

Ongoing Research

- Compare military and civilian benefit offerings
- Examine the benefit offerings of specific companies hiring workers with technical skills

Thus far, our work has examined the availability of various incentive and benefit offerings within large, private-sector companies. The next stage of the analysis will compare these offerings—in terms of their availability and structure—to those available to military personnel. Not surprisingly, our findings thus far suggest that differences are most apparent in the areas of incentive-based variable pay and flexible work arrangements.

In the final stage of the analysis, we will focus our attention on several critical enlisted technical fields where the military is experiencing manning shortfalls. Using selected enlisted Navy occupations as a test case from which to extrapolate results for the entire military, we will combine information derived from a crosswalk between Navy and civilian occupations developed in a CNA research memorandum¹ with new information obtained from a series of Navy personnel interviews to identify large, private-sector companies that compete directly with the Navy for individuals with critical technical skills. We will then compare the characteristics of these companies' incentive pay and benefits programs to the characteristics of those available in the Navy. Although strict comparability will be difficult, this analysis will shed some light on the choices facing both potential military recruits and those at the end of their service obligations. From that analysis, we will draw conclusions and make recommendations for future military employment policy.

¹ Michael L. Hansen. *Compensation and Enlisted Manning Shortfalls*, Sep 2000 (CNA Research Memorandum D0001998.A2)

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